



City of Scottsdale, Arizona  
Annual Report of the Collection and Use of Development Fees  
For the Fiscal Year Ended June 30, 2012

Prepared By City of Scottsdale Water Resources Division  
September 28, 2012

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The City of Scottsdale (the City), Arizona, Annual Report on the Collection and Use of Development Fees for the Fiscal Year Ended June 30, 2012 is submitted in accordance with Arizona Revised Statutes (ARS) Section 9-463.05, N. "Each municipality that assesses development fees shall submit an annual report accounting for the collection and use of the fees."

The annual report must be submitted to the City Clerk within ninety days following the end of the fiscal year in order for the City to continue collecting development fees. The annual report shall include the following:

1. The amount assessed by the municipality for each type of development fee.
2. The balance of each fund maintained for each type of development fee assessed as of the beginning and end of the fiscal year.
3. The amount of interest or other earnings on the monies in each fund as of the end of the fiscal year.
4. The amount of development fee monies used to repay:
  - (a) Bonds issued by the municipality to pay the cost of a capital improvement project that is the subject of a development fee assessment, including the amount needed to repay the debt service obligations on each facility for which development fees have been identified as the source of funding and the time frames in which the debt service will be repaid (see debt schedule below).
  - (b) Monies advanced by the municipality from funds other than the funds established for development fees in order to pay the cost of a capital improvement project that is the subject of a development fee assessment, the source of the monies advanced and the terms under which the monies will be repaid to the municipality.
5. The amount of development fee monies spent on each capital improvement project that is the subject of a development fee assessment and the physical location of each capital improvement project.
6. The amount of development fee monies spent for each purpose other than a capital improvement project that is the subject of a development fee assessment.

The report must provide the balance of each fund maintained for each type of development fee at the beginning and end of the year along with the current year's activity. This report complies with ARS Section 9-463.05, N, as amended.

Development fees are one-time payments to fund construction of public facilities needed to accommodate new development. Development fees may not be used for replacement of existing facilities, nor may they be used to cover operating expenses. The intent of these fees is for new development to pay its "proportionate share" of capital cost for infrastructure capacity needed for growth. Water Resources Development Fees pay for the costs of acquiring new water supplies, including groundwater recharge at the Water Campus. Water Development Fees pay for the cost of new water treatment, production, pumping, storage and transmission facilities required by developments. Sewer Development Fees pay for the cost of sewer collection, conveyance,

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treatment, and reclamation. These fees apply to all development and are paid at the time of issuance of the building permit. To properly account for the collection and use of development fees, the City established the three funds shown in the following table.

Fee Type	Fund
Water Development Fees	626
Water Resources Development Fees	627
Sewer Development Fees	628

The City's current development fees were designed to recover the costs of new development growth over a thirty-five year planning horizon. The cash balances in the development fee funds may be positive or negative at various times during the new development growth and capital expansion cycle. At some points in time, new development growth may be served with existing system capacity. At these times, fees are collected in advance of capital expansion costs resulting in temporary positive cash balances, which will be applied toward future capital expansion costs. At other times, capital expansion must occur well in advance of collecting fees from future development in order to serve the next new development. This results in temporary negative cash balances that will be repaid as fees are collected from new development over time. The following Summary of the Collection and Use of Development Fees shows negative ending cash balances in Funds 626, 627, and 628. The summary also presents the amounts collected and expended by fund for the fiscal year ended June 30, 2012.

This report is provided to comply with ARS Section 9-463.05, N. If you have any questions about this report or need additional information, contact:

City of Scottsdale  
Water Resources Division  
9379 East San Salvador Drive  
Scottsdale, AZ 85258  
(480) 312-5006

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**SUMMARY OF THE COLLECTION AND USE OF DEVELOPMENT FEES**

	Water <u>Fund 626</u>	Water Resources <u>Fund 627</u>	Sewer <u>Fund 628</u>
REVENUES			
Development Fees Collected	\$ 1,403,686	\$ 391,081	\$ 1,389,115
EXPENDITURES			
Capital Project Expenditures	7,225,836	-	6,007,035
Debt Service Payments	<u>5,271,509</u>	<u>1,249,787</u>	<u>9,474,058</u>
Total Expenditures	<u>12,497,345</u>	<u>1,249,787</u>	<u>15,481,093</u>
Net Cash Increase (Decrease)	(11,093,659)	(858,706)	(14,091,978)
Beginning Cash Balance	<u>(101,889,478)</u>	<u>(2,688,660)</u>	<u>(106,664,142)</u>
Ending Cash Balance	<u>(\$112,983,137)</u>	<u>(\$3,547,366)</u>	<u>(\$120,756,120)</u>

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**SCHEDULE OF CAPITAL PROJECT EXPENDITURES**

**WATER DEVELOPMENT FEES - FUND 626**

<u>Project</u>	<u>Project Name</u>	<u>Project Location</u>	<u>Expenditures</u>
W9912	Distribution System Improvements	Various Locations	\$6,438,230
W0710	Water Over-sizing	Various Locations	9,484
W0901	Downtown Transmission Lines	Various Locations	688,824
Y1127	Architect/Engineering Services	Various Locations	1,191
	Developer Infrastructure Reimbursements	DC Ranch	53,046
	Developer Infrastructure Reimbursements	Whisper Rock	1,801
	Developer Infrastructure Reimbursements	Desert Mountain	3,615
	Developer Infrastructure Reimbursements	Windgate Ranch	28,503
	Developer Infrastructure Reimbursements	Grayhawk	1,142
			<u>\$7,225,836</u>

**WATER RECLAMATION DEVELOPMENT FEES - FUND 628**

<u>Project</u>	<u>Project Name</u>	<u>Project Location</u>	<u>Expenditures</u>
V3704	Collection System Improvements	Various Locations	\$5,960,000
V0703	Sewer Over-sizing	Various Locations	32,753
	Developer Infrastructure Reimbursements	DC Ranch	12,672
	Developer Infrastructure Reimbursements	Whisper Rock	1,351
	Developer Infrastructure Reimbursements	Grayhawk	259
			<u>\$6,007,035</u>

NOTES: Capital project expenditures are shown net of amounts financed, including financing reimbursements for prior year expenditures.  
Developer infrastructure reimbursements represent payments for infrastructure installed by developers subject to reimbursement pursuant to development fee credit agreements.

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**SCHEDULE OF DEBT SUMMARY**

<u>Debt Description</u>	<u>FY 2011/12 Debt Service</u>	<u>Principal At 6/30/12</u>	<u>Future Interest</u>	<u>Principal &amp; Interest</u>	<u>Final Payment</u>
<b>WATER</b>					
2008 MPC	\$4,927,244	\$62,432,503	\$36,079,958	\$98,512,461	2032
2010 MPC	<u>344,266</u>	<u>7,251,886</u>	<u>5,804,330</u>	<u>13,056,216</u>	2036
	<u>\$5,271,510</u>	<u>\$69,684,389</u>	<u>\$41,884,288</u>	<u>\$111,568,677</u>	
<b>WATER RESOURCES</b>					
2008 MPC	\$861,406	\$10,914,770	\$6,307,683	\$17,222,453	2032
2010 MPC	<u>388,381</u>	<u>8,181,159</u>	<u>6,548,109</u>	<u>14,729,268</u>	2036
	<u>\$1,249,787</u>	<u>\$19,095,929</u>	<u>\$12,855,792</u>	<u>\$31,951,721</u>	
<b>SEWER</b>					
2004 Revenue Refunding	\$3,052,241	\$4,881,420	\$454,133	\$5,335,553	2016
2004 MPC	1,015,467	1,857,333	140,133	1,997,466	2014
2006 MPC Refunding	588,322	11,766,442	4,964,563	16,731,005	2030
2008 Revenue Refunding	1,596,437	28,693,908	10,420,261	39,114,169	2023
2008 MPC	1,791,725	22,702,727	13,119,984	35,822,711	2032
2010 MPC	<u>1,429,866</u>	<u>30,119,812</u>	<u>24,107,566</u>	<u>54,227,378</u>	2036
	<u>\$9,474,058</u>	<u>\$100,021,642</u>	<u>\$53,206,640</u>	<u>\$153,228,282</u>	

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**SUMMARY OF DEBT FUNDED PROJECTS**

**DVW - Water Development Fees**

**Project Description**

CAP Plant Regulatory Compliance  
Pima Road - Pinnacle Peak To Jomax Waterline  
Water Quality Improvements – So. Neighborhoods  
Zone 9 Reservoir Expansion  
CAP Water Connection: Shea To McDonald  
Zone 12-13 Water Transmission Lines  
Union Hills To Hualapai Transmission Line-Pima Rd  
Core North/South Water  
CAP Plant Expansion  
Zone 14-16 Water Improvements  
Zone 3 Tank East & 120Th St  
Water Oversizing  
Downtown Water Transmission Lines  
Dynamite - Scottsdale To Pima Road Waterline  
Pima Road - Ashler Hills To Cave Creek Waterline  
Pima Road - Jomax To Ashler Hills Waterline  
Alameda/122Nd Street Booster Pump Station  
Pump Station 130  
Architect/Engineer Services  
Master Well Site Study  
Chaparral Wtp Influent Waterline  
Well Sites  
Booster Station - 70th St/Lone Mountain  
Utility Sleeve Crossing/Outer Loop  
CAP Water Treatment Plant Expansion  
Pinnacle Peak Waterline Replacement  
68th Street: Osborn To Indian School Waterline  
CAP Water Transmission Main  
CAP Wtp Water Reservoir  
Master Plan – Water

**DVW - Water Resources Development Fees**

**Project Description**

Advanced Water Treatment Plant - Phase 3  
Advanced Water Treatment Plant - Phase 2  
Advanced Water Treatment Plant  
Initial Recharge/Recovery System  
Bill Williams River Water Rights  
Water Rights Acquisition  
Deep Well Recharge/Recovery Facilities  
Master Plan – Water

**DVW - Sewer Development Fees**

**Project Description**

Bell Road II Improvement District  
Advanced Water Treatment Plant - Phase 3  
Water Reclamation Plant Phase 3  
Core North/South Wastewater  
Regional Wastewater Reclamation Plant  
Scottsdale Rd - Relief Sewer  
Wastewater Oversizing  
SROG Water Reclamation Plant Exp. Up05  
Downtown Wastewater Trunk Lines  
Scottsdale Rd - Pinnacle Peak Bouldersr  
Miller Road Sewer Phase 3  
WRP Associated Collection System  
Wastewater Collection System Improvements  
SROG Wastewater Treatment Plant  
East Pumpback For Water Campus  
Pima Rd Sewer/Via Linda To Cholla  
Advanced Water Treatment Plant - Phase 2  
Master Plan Water Reclamation  
Residuals Sewerline  
Wastewater Reclamation Plant - Phase 2  
Westland Rd Relief Sewer  
Gainey Plant Improvements  
Gainey Wastewater Treatment Plant  
Miller Rd Trunk Sewer: Earl Dr To Roosevelt  
SROG Wastewater Plant Expansion  
Citywide Flow Monitoring  
Downtown Sewer Improvements  
Gainey Reimbursements  
North Scottsdale Rd Sewer Diversion  
Outer Loop Sewer Scottsdale Rd To Pima Rd

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**SUMMARY OF DEBT FUNDED PROJECTS - CONTINUED**

**DVW - Water Development Fees**

**Project Description - Continued**

Pima Rd:Union Hills To Pinnacle Peak Waterline  
Sampling Water Quality Stations  
Thompson Peak Waterline  
Zone 2 Pump Station  
Zone 2 Res - 120th & Shea Blvd  
Ashler Hills Waterline  
CAP Wtp Pump Station/Zone 5  
Zone 5-7 Pump St Pima/Deer Valley  
McDowell Mtn Ranch Reservoir Expansion  
Chaparral Water Treatment Plant  
Water Distribution System Improvements  
Zone 12-13 Water System Improvements  
Zone 5E Booster Pump Station And Transmission Line  
Water System Architect/Engineer Svc  
Architect/Engineer Services  
Water System Architect/Engineer Svc  
Water System Architect/Engineer Services

**Funds Advanced (\$112,983,137)**

**Source of Advanced Funds Water Rates**

**Terms None**

**DVW - Water Resources Development Fees**

**Project Description - Continued**

**(\$3,547,366)**

**Water Rates**

**None**

**DVW - Sewer Development Fees**

**Project Description - Continued**

Relief Sewers - Citywide  
Water Campus Influent Pump Sta.  
Advanced Water Treatment Plant  
Relief Sewers – Citywide

**(\$120,756,120)**

**Sewer Rates**

**None**